

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL**

DIVISION OF PARKS AND RECREATION

**FOLLOW-UP REPORT TO INTERNAL
CONTROL REVIEW**

JULY 1, 2005 – SEPTEMBER 30, 2005

FIELDWORK END DATE: MAY 5, 2006

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EXECUTIVE SUMMARY

The Office of Auditor of Accounts (AOA) completed a follow-up engagement to determine if recommendations were implemented for the following report:

Department of Natural Resources and Environmental Control Division of Parks and Recreation
Internal Control Review as of November 9, 2004.

That report identified weaknesses in the following areas:

- Segregation of duties
- Management review
- Reconciliation
- Authorization
- File Maintenance
- Policies and Procedures

AOA performed follow-up procedures at the following parks for the period July 1, 2005, through September 30, 2005:

- Bellevue
- Cape Henlopen
- Killens Pond
- Lums Pond
- Delaware Seashore
- Central Office

The results of the follow-up engagement indicate that the parks are at varying degrees of implementation of the recommendations and corrective action plans noted in the November 9, 2004, report. Detail results can be found in the Status of Prior Year Findings and Recommendations section of this report, starting on page four.

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AUDIT AUTHORITY

Title 29, Del. C., c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

BACKGROUND

On November 9, 2004, the Office of Auditor of Accounts (AOA) issued the following report for the Department of Natural Resources and Environmental Control (DNREC), Division of Parks and Recreation (Parks):

Internal Control Review as of November 9, 2004

During that engagement, AOA reviewed internal controls related to the cash receipts process at the following locations for the period June 1, 2004, through August 1, 2004:

- Bellevue
- Cape Henlopen
- Killens Pond
- Lums Pond
- Delaware Seashore
- Central Office

The report identified weaknesses in the following areas:

- Segregation of duties
- Management review
- Reconciliation
- Authorization
- File Maintenance
- Policies and Procedures

OBJECTIVE, SCOPE, & METHODOLOGY

OBJECTIVE AND SCOPE

The objective of the follow-up engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the November 9, 2004, Parks Report.

The scope of this engagement, a non-audit service, was limited to a follow-up of the November 9, 2004, Parks Report. The previous findings and recommendations included the areas of segregation of duties, management review, reconciliation, authorization, file maintenance, and policies and procedures. Testing of the status of the previous recommendations was performed for the period from July 1, 2005, through September 30, 2005.

METHODOLOGY

Procedures consisted of interview and inquiries of key personnel; inspection and confirmation of documentation; observation of procedures; and performing tests of key controls when considered necessary.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Response | Current Year Status * |
|---|--|--|--|
| One person performs the cash receipts functions for collection and reconciliation of funds and the preparation of the deposit slip. | A person independent of the person responsible for the cash receipt function should reconcile the drawer and prepare the deposit slip. The person responsible for the cash receipt function should be present. The Park Superintendent, or his/her designee, should review and sign-off on the reconciliation. | Each park should have adequate staff to segregate the cash collection, reconciliation, and preparation of the deposit slip. The Park Superintendent should designate persons to review and verify the reconciliation of cash receipts. | Lums Pond, Bellevue, Delaware Seashore, Killens Pond, and Cape Henlopen – Implemented |
| Park Entrance Fees – When a fee collector is relieved for breaks, the collector does not count his/her cash drawer. | The fee collector should reconcile his/her drawer before and after breaks. Both the original fee collector and the person relieving him/her should initial the reconciliation. | A secondary cash box and roll of tickets must be used by the person relieving the fee collector allowing the fee collector to lock his/her cash box and tickets while away from the fee booth. | Lums Pond – Partially Implemented Bellevue – Not implemented Delaware Seashore – Implemented Killens Pond – Implemented |
| Fees collected at the Seaside Nature Center and the Biden Center are brought to the Park Office sealed and ready for deposit. Park Office personnel do not verify the fees collected. | Receipts should be reviewed by office personnel at the end of the day. | While the Seaside Nature Center and Biden Center may continue to compile the deposit, two park office staff or a park office and Nature Center/Biden Center staff should count and reconcile the deposit prior to it being sealed and ready for deposit. | Seaside Nature Center – Implemented Biden Center – Not Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|---|--|--|---|
| Park Entrance Fees - At the completion of a fee collector's shift, he/she brings the cash drawer to the Park Office. It is not mandatory for the fee collector to complete the Daily Receipts Ledger or to stay while the money is counted. | Park's policy requires the Revenue Attendant to complete the Daily Receipts Ledger, count the money, and sign-off on the report. A second count should then be performed and the report reconciled prior to the fee collector leaving. Any overages/shortages greater than \$5 should be addressed the same day. | The Park Superintendent should designate a person or persons to be responsible for reviewing the Daily Receipt Ledger and counting and reconciling the cash drawer to the ledger form. The fee collector should remain for the cash drawer count and reconciliation. Any discrepancies should be addressed at this time. Overages/shortages greater than \$5 must be documented on the official Division form provided for this purpose. | Lums Pond – Implemented Delaware Seashore – Partially Implemented |
| Park Entrance Fees - The Daily Receipts Ledger was not signed by the fee collector and/or the Park Superintendent (or designee). | Based on internal policy, the fee collector should complete the Daily Receipt Ledger. This includes filling in the header, tickets sold, amount due, amount received, and signing-off on the report. On all occasions, the Park Superintendent (or designee) should perform a recount of the money, review the report, and sign-off on the report. | Existing procedures will be reviewed with park personnel; the importance of complete and accurate information, reconciliation of cash to ledger document, and review and authorization by designated personnel will be required by the Park Superintendent. | Killens Pond – Implemented Cape Henlopen – Not Implemented Bellevue – Partially Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|---|---|---|---|
| Park Entrance Fees - Killens Pond has three suit cases/ticket rolls for their fee collections. Only one booth is maintained Monday-Friday, however the same ticket roll is not used each day. This makes it difficult to trace and agree ending and beginning ticket numbers. | In order to simplify the reconciliation and to assist in the accountability of tickets, the Park should utilize the same roll of tickets (i.e. the prior day's ending ticket number should equal the current day's beginning ticket number.) | Only one roll of consecutively numbered tickets should be issued to a fee booth at a time. | Killens Pond – Implemented |
| Parks policies and procedures require that a Notice of Discrepancy be prepared for each overage or shortage greater than \$5. There were numerous instances in which notices were not prepared for overages or shortages greater than \$5. | A Notice of Discrepancy should be prepared for all overages or shortages greater than \$5. This notice should be signed by the fee collector and Park Superintendent (or designee) and maintained at the Park Office. In addition, a tracking mechanism should be put in place to identify any patterns of overages/shortages by cashier/revenue attendant. | The Notice of Discrepancy policy will be reviewed with park personnel. A copy of the official Division form must be sent with the report of receipts and one copy retained at the park office. | Killens Pond – Partially Implemented Cape Henlopen – Partially Implemented Bellevue – Implemented |
| Periodic, unannounced cash counts are not performed. Counts are only performed when problems are suspected. | Individual Park personnel as well as Central Office personnel should perform periodic, unannounced cash counts. This will assist in deterring problems before they occur and ensuring proper cash handling and recordkeeping. If current Park and Central Office staff is insufficient to meet this requirement, we recommend an additional seasonal or part-time staff be hired. | The Division will provide adequate staff to meet this requirement. The Division respectfully requests training in cash handling procedures for staff by the Auditor's Office as discussed in the interview. | Delaware Seashore, Lums Pond, Killens Pond, Cape Henlopen, Bellevue, and the Central Office – Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|--|---|--|--|
| The Daily Deposit Ledger, deposit tickets, Daily Receipts Ledger, Z-tapes, etc., are required to be reconciled by authorized park personnel, and then a Report of Receipts prepared. All documentation should agree. During our testing, we noted instances in which reports did not agree to supporting detail. | Appropriate park personnel should review detail and prepare and sign-off on the Report of Receipts. The Park Superintendent (or designee) should review the Report of Receipts and sign-off on the report. | The Park Superintendent should designate a person(s) to review the report of receipts after the park office staff have reconciled the documentation and prepared the Report of Receipts. Both the person preparing the report and the person authorizing the report should be sure of its accuracy and completeness before signing. | Lums Pond and Killens Pond – Implemented |
| An Annual Permits Ledger is prepared daily to record the sale of annual permits. The fee collector should complete and sign-off on the ledger. The Park Superintendent, or his/her designee, should count the money, review the reconciliation, and sign-off on the ledger. There were several instances in which the ledger did not contain signatures of the preparer or reviewer. | Based on internal policy, the fee collector should complete the Annual Permits Ledger. This includes filling in the header, tickets sold, amount due, amount received, and signing-off on the report. On all occasions, the Park Superintendent (or designee) should perform a recount of the money, review the report, and sign-off on the report. | The Park Superintendent should designate a person(s) to be responsible for reviewing all documents from fee collectors and office staff responsible for selling permits. This review should include a check for completeness of all header information on forms (e.g. name, date, etc.), verification of permit numbers, recount of money received, and an authorized signature. | Cape Henlopen – Partially Implemented Delaware Seashore – Not implemented Bellevue – Implemented |
| Once all reports and reconciliations have been prepared and performed, park personnel make copies of detail, keep the copy at the park, and send originals to the Central Office. We noticed instances in which detail was not maintained at the park location. | Each park should maintain copies of supporting documentation and reports that are submitted to the Central Office. | Each park will implement a system for maintaining the supporting documentation for the daily Report of Receipts. | Killens Pond – Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|--|--|--|---|
| Various ledgers, including the Annual Permits Ledger, Surf Fishing Permits Ledger, and Daily Receipts Ledger, do not always contain the total amount due and/or the total amount received. | The information on each ledger should be filled out completely. Proper reporting of cash receipts requires the recording of amount due, amount received, and reconciliation between the two. The Park Superintendent (or designee) should review and sign-off on the ledger after he/she is sure all information is properly recorded. | The fee collector should calculate and total the ledger form prior to submitting it for review by the Park Superintendent. The Park Superintendent (or designee) should reconcile and verify all totals and complete the "Total Amount Received" line as part of the review process before authorizing the document. | Cape Henlopen – Partially Implemented Delaware Seashore – Partially Implemented Bellevue – Implemented Lums Pond – Implemented |
| Lums Pond personnel manually verify cash and credit sales for miscellaneous retail. The cash register may be programmed to record cash or credit at the push of a key; however, this function has not been utilized. | Park personnel should program the cash register to separately record cash and credit sales. This will allow the register, via a Z-tape, to reconcile sales. Park Personnel can then review the Z-tape for accuracy. | The Revenue Resources Office staff will coordinate with park staff to ensure that all cash registers for retail sales are programmed properly. | Lums Pond – Implemented |
| A Daily Deposit Ledger is not maintained. | All deposits should be recorded on a Daily Deposit Ledger to provide evidence of when and by whom the deposit was made and the amount of the deposit. | All park locations will maintain a ledger showing the status of daily deposits. This ledger must contain the date, time, employee name, and amount of the deposit for each deposit made. | Bellevue – Implemented |
| One out of ten facility rental contracts did not contain the signature of the property manager. Two out of ten contracts tested did not contain proper supporting documentation. | Facility Rental Contracts should be properly signed by the renter and Property Manager. The park should maintain proper supporting documentation for each contract (copy of signed contract, receipt, record of payments received, etc.) | The Property Manager must review each rental contract to verify that it has all supporting documentation (copy of signed contract, receipt, record of payments received, etc.), and is signed by both the renter and designated park personnel. | Bellevue – Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|---|---|---|--|
| The Central Office performs a review of each Park's Report of Receipts and corresponding detail. Central Office personnel do not sign-off on the Report of Receipts. During busy season, it can take Central Office personnel up to one week to review Report of Receipts and detail. | Central Office personnel should sign each Report of Receipts after they have reviewed and reconciled the report to supporting detail. Central Office management should review adequacy of staffing to ensure the reports are reviewed timely. If staffing is inadequate, Central Office management should consider hiring seasonal or part-time help. | The Division will provide adequate staffing to ensure that reports are reviewed in a timely manner. Delivery of report to the Central Office in a timely manner has been a problem; the Division is looking at options to improve this delivery, e.g., hiring a seasonal employee or contracting with a courier service. The Accounting Specialists are now required to initial and date each report of receipts form upon completion of their audit. | Central Office – Partially Implemented |
| The Fiscal Administrative Officer at the Central Office performs a monthly reconciliation of cash receipts; however, she does not sign to denote her review. There are no written policies and procedures for performance of the monthly reconciliation. | Each monthly reconciliation should include the date performed and signature of the Fiscal Administrative Officer. Written policies and procedures regarding performance of the reconciliation should be developed in the event other personnel are required to perform the reconciliation. | The Fiscal Administrative Officer will sign and date each month's reconciliation reports. Written policies and procedures will be documented regarding the performance of the reconciliation. The Accountant will be trained in the reconciliation process. | Central Office – Partially Implemented |
| Reconciliations of fees collected to cash register Z-tapes are performed by management; however, no initials or signatures appear on the Z-tapes to verify a review has been performed. | The reconciliation of the Z-tapes should include the signatures of the reviewer to signify a review has been performed. | The reviewer will sign and date the Z-tapes as verification that a review of the information has been done. | Lums Pond – Not Implemented Killens Pond – Partially Implemented Cape Henlopen – Not Implemented |

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Finding | Recommendation | Management Response | Current Year Status * |
|--|---|--|------------------------------|
| The Central Office maintains reports separate from supporting documentation. | Report of Receipts with supporting documentation be maintained in an orderly and systematic manner so that information can be retrieved completely, accurately and quickly. | The Account Specialists will attach the supporting documentation to the cash receipts document when it is prepared. The cash receipts document and supporting documentation will be filed together in the Central Office Accounting Section for complete and prompt retrieval. | Central Office – Implemented |

*** Status Key:**

- **Implemented:** The concern has been addressed by implementing the original or an alternative corrective action.
- **Not implemented:** The corrective action has not been initiated.
- **Partially Implemented:** The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
Ms. Trisha Neely, Director, Division of Accounting

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Mr. Steven R. Karlsen, Financial Officer, Department of Natural Resources and Environmental Control
Mr. Paul Nicholson, Park Administrator, Bellevue State Park
Ms. Judi Jeffers, Facilities Manager, Bellevue State Park
Mr. Dwight Anttila, Park Superintendent, Brandywine Creek State Park
Mr. Patrick Cooper, Park Administrator, Cape Henlopen State Park
Ms. Mary Wagner, Facilities Manager, Cape Henlopen State Park
Mr. Ken Farrall, Park Administrator, Delaware Seashore State Park
Mr. Gary King, Park Superintendent, Indian River Marina
Ms. Becky Webb, Park Superintendent, Fort Delaware State Park
Mr. Gary Focht, Park Administrator, Killens Pond State Park
Mr. Michael Felker, Park Administrator, Lums Pond State Park
Mr. Nick McFadden, Park Superintendent, White Clay Creek State Park
Mr. Ron Crouch, Park Administrator, Wilmington State Parks
Ms. Nancy Falasco, Park Administrator, Brandywine Zoo

Division of Parks and Recreation

Mr. Greg J. Abbott, Park Administrator I
Ms. Carol Baxter, Fiscal Administrative Officer
Mr. Charles Salkin, Division Director
Mr. Clyde Shipman, Environmental Program Administrator
Mr. Stephen Schilly, Parks Operations Administrator
Mr. James O'Neill, Environmental Program Administrator I
Mr. Raymond Bivens, Park Administrator I